



UNITED STATES DEPARTMENT OF EDUCATION
THE OFFICE OF STUDENT FINANCIAL ASSISTANCE
WASHINGTON, D.C. 20202

February 2000

As you were advised in the enclosed December 1999 bulletin, The Higher Education Act of 1965 was recently amended to change the method of calculating special allowance. The change requires modifications to the existing system that will require additional time. In order to accommodate the necessary testing, we are requesting that lenders delay the reporting of the loans in Part IV until the quarter ending **June 2000**. Note specifically:

The March 2000 quarter activity that is covered by the new codes in the December 1999 bulletin (i.e. CA, CB, CC, & CD) should be reported as prior quarter adjustments, (i.e. special allowance code BI's). The June 2000 quarter activity will be reported as normal activity (i.e. BC's).

We apologize for any inconvenience this may cause your institution. If you have any questions, please call the Lender Reporting Team at (202) 708-9776 or e-mail at OSFA_LR@ed.gov.

Enclosure



Office of Student Financial Assistance
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DECEMBER 1999

The Higher Education Act of 1965 was recently amended to change the method of calculating special allowance for loans *first* disbursed on/after January 1, 2000. The calculation will now use the 3-month commercial paper rate. This resulted in a modification to the Special Allowance (SAP) codes that are used in the Lender's Interest & Special Allowance Request & Report (ED Form 799). Beginning with the ED Form 799 for the quarter ending March 2000, you will be required to use the following SAP codes (in addition to the existing codes):

- **STAFFORD SUB/UNSUBSIDIZED FIRST DISBURSED ON/OR AFTER JANUARY 1, 2000 AND BEFORE JULY 1, 2003**

SAP CODE	LOAN STATUS
CA	IN-SCHOOL, GRACE AND DEFERMENT

- **STAFFORD SUB/UNSUBSIDIZED FIRST DISBURSED ON/OR AFTER JANUARY 1, 2000 AND BEFORE JULY 1, 2003**

SAP CODE	LOAN STATUS
CB	IN REPAYMENT OR FORBEARANCE

- **CONSOLIDATION LOANS *FOR APPLICATIONS RECEIVED* ON/OR AFTER JANUARY 1, 2000 AND BEFORE JULY 1, 2003**

SAP CODE	LOAN STATUS
CC	N/A

- **PLUS LOANS FIRST DISBURSED ON/OR AFTER JANUARY 1, 2000 AND BEFORE JULY 1, 2003**

SAP CODE	LOAN STATUS
CD	N/A

Please note that there has been no change to loans disbursed with tax-exempt funds. You should continue to report these loans using the existing SAP codes. If you have any questions, please call us at (202) 708-9776 or e-mail at OSFA_LR@ed.gov.